U6 Fix

Jobs Bloom in May Report

DOUGLAS HOLTZ-EAKIN | JUNE 5, 2015

The May jobs report was filled with good news. The top-line jobs growth was 280,000 and past jobs growth – particularly the awful March report – was revised up. Job growth was more widespread than in April.

The unemployment rate ticked up, but only because labor force participation rose by 0.1 from 62.8 to 62.9. Overall the ratio of employment to population rose by 0.1 percent. The unemployment rate for Hispanics fell from 6.9 to 6.7 percent.

The anomalous result was a jump up in teen unemployment from 17.1 to 17.9 percent – get ready for stories about the impact of minimum wage hikes.

The Achilles heel of the labor market – wage growth – showed signs of improvement. Average hourly earnings rose by 0.3 percent – which translates to an annual rate of nearly 4 percent – strong real wage growth. Weekly hours remained flat, which cuts the growth of labor income.

Data junkies here's your fix: the May U-6 (the broadest measure of unemployment) stayed unchanged at 10.8 percent, as a decline in discouraged workers offset the rise in the basic unemployment rate.

The bottom line: Viewed in isolation the May jobs report was strong and continues the rebound from the horror show in March. The best news is the rise in wages. The concern is that there is no way to produce this many jobs in a slow economy without simultaneously having poor productivity growth. And, over the long term, the absence of productivity growth is bad for workers and firms alike.